

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5590-01
Bill No.: # HB 2007
Subject: Environmental Protection; General Assemble; Water Resources and Water
Districts
Type: Original
Date: April 11, 2006
#Corrected Bill number

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|--------------------|--------------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| NRPF Water Permit Fees | \$0 | (\$750,432) | (\$731,649) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | (\$750,432) | (\$731,649) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources** assume this proposal would extend the fees for wastewater permits imposed under the water pollution statutes until December 31, 2009. Extension of these fees would provide some of the resources needed to administer the state water pollution control efforts.

The proposal would also create a joint committee to consider proposals for restructuring the fees imposed under Sections 644.052 and 644.053 RSMo. The committee would review the state's implementation of the federal clean water program and related state clean water responsibilities, and evaluate the costs to the state for maintaining the program. The committee would prepare and submit a report, including recommendations on funding the state clean water program, to the Governor, the House of Representatives and the Senate no later than December 31, 2008.

Extension of the service connection fees, annual operating fees, general permit fees, construction permit fees and modification fees at current levels would provide a portion of the funding necessary to continue management of the federal water pollution control efforts administered by the department.

ASSUMPTION (continued)

In FY06 the water permit fee rate structure is expected to generate approximately \$3.9 million. These fees support the permitting, engineering, inspection and compliance activities of the department's water pollution control efforts. However the current costs for these efforts is approximately \$8.2 million. The funding needed to cover the difference has come from federal grants, general revenue and managing fund expenditures with available cash, which detracts from the amount of work the department is able to accomplish.

| | <i>FY 2003</i> | <i>FY 2004</i> | <i>FY 2005</i> |
|--------------------------|---------------------|--------------------|--------------------|
| <i>Water Permit Fees</i> | <i>\$4,386,639</i> | <i>\$4,135,018</i> | <i>\$4,468,517</i> |
| <i>Federal Funds</i> | <i>\$4,410,999</i> | <i>\$3,036,821</i> | <i>\$2,903,435</i> |
| <i>General Revenue</i> | <i>\$1,237,302</i> | <i>\$1,601,761</i> | <i>\$911,590</i> |
| <i>Total</i> | <i>\$10,034,940</i> | <i>\$8,773,600</i> | <i>\$8,283,542</i> |

Each fiscal year, the amount of permit revenues deposited into the permit fees subaccount of the Natural Resources Protection Fund, Water Permit Fees subaccount, corresponds to permitting activity. The ending balance in the Permit Fees subaccount for FY03 - \$4,440.77; FY04 - \$327,897.27; and FY05 - \$389,270.38. Each year the total funding from fees, federal funds and general revenue available to support the department's primary water pollution control efforts, including permitting, has decreased.

Extension of the current fee structures would maintain the current level of service in the short term. However as costs continue to rise and federal sources of funds are reduced, there is concern the level of service will decline. The department assumes the level of services would have to be adjusted to match the funds available.

By extending the water permit fee rate structure, this proposal is estimated to generate an estimated \$4.5M in revenue annually. The department assumes that a 20% increase in fees across the board would offset the estimated revenue shortfalls.

In projecting the fiscal impact, 60% is projected to be received prior to December 31, 2007, or FY2008. Fiscal impact will be 40% of fee revenues in FY08 and 100% in FY09. No impact in FY07.

ASSUMPTION (continued)

For expenses 68% of FY07 PS appropriations was used for permitting activities and applied 44.06% fringe and a 2.5% inflationary rate for FY08 and FY09. For E&E, \$500,307 was used. Again, a 2.5% inflationary rate was applied for FY08 and FY09.

| <u>FISCAL IMPACT - State Government</u> | FY 2007 (10 Mo.) | FY 2008 | FY 2009 |
|---|---------------------|---------------------------|---------------------------|
| NRPF WATER PERMIT FEES | | | |
| <u>Revenue</u> - Department of Natural Resources | | | |
| Permit Fees | \$0 | \$1,792,748 | \$4,481,870 |
| <u>Costs</u> - Department of Natural Resources | | | |
| Core Approps & DNR Adm. | <u>\$0</u> | <u>(\$2,543,180)</u> | <u>(\$5,213,519)</u> |
| ESTIMATED NET EFFECT ON NRPF WATER PERMIT FEES | <u>\$0</u> | <u>(\$750,432)</u> | <u>(\$731,649)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2007 (10 Mo.) | FY 2008 | FY 2009 |
|---|---------------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill extends the expiration date in Section 644.054, RSMo, from December 31, 2007, until December 31, 2009, for certain waste treatment and disposal fees authorized in Sections 644.052 and 644.053, collected by the Clean Water Commission.

The President Pro Tem of the Senate and the Speaker of the House of Representatives are required to appoint members to a joint committee that will consider the restructuring of the water pollution control fees. The committee must submit a report by December 31, 2008, to the

DESCRIPTION (continued)

Governor, House of Representatives, and Senate with recommendations on funding the state's Clean Water Program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 11, 2006